



COMMERCIAL REAL ESTATE MARKET UPDATES

GENERAL

市場概括

- [The Recession Has Ended; Someone Get the Memo to Tenants](#)
經濟衰退已結束?要通知房客嗎?
- [Distressed Retail Centers Are Not a Mess, Says JLL's Maloney](#)
根據 JLL's Maloney 的說法,法拍的購物商場情況並不混亂
- [Multifamily Sales Defy the Slump: Apartment Deals Jump 32% as New Inventory Hits the Market](#)
公寓銷售量並無滑落: 新建公寓成交量成長 32%
- [Foreclosure Flaws May Slow Home Price Fall, Delay Recovery](#)
法拍屋的程序漏洞可能使價格下降並 延遲恢復期
- [Book Store Shake Out Coming](#)
傳統書店的縮減已開始
- [FedEx Consolidating Despite Strong Earnings](#)
儘管有強大的收益, FedEx 仍然持續縮減

FINANCING

貸款與資金

- [Banks Continue Shrinking CRE Balances and Avoid New Lending](#)
銀行繼續縮減商業地產欠額和避免提供新貸款
- [Consumer Money Rates \(Mortgage Rate, Prime Rate, etc.\)](#)
消費者市場利率: 房貸、基本利率、等等

STC LISTINGS

STC 獨家代理物業出售

- [San Gabriel Office/Retail](#)
聖蓋博獨棟商用物業
- [Santa Ana Preschool/Redevelopment Opportunity](#)
橙縣幼稚園/重新開發機會
- [Main St. Alhambra Retail/Office Mixed Use](#)
阿罕布拉零售/辦公樓



The Recession Has Ended; Someone Get the Memo to Tenants **經濟衰退已結束?要通知房客嗎?**

(The Watch List)

The National Bureau of Economic Research – the official referee of the economy -- announced this week that it determined that the recession ended and recovery began 15 months ago in June 2009. However, according to commercial real estate service providers, economic conditions for America's tenants are still in the pre June 2009 cycle and a long way from the pre-recession years.

Smith System in Arlington, TX, the nation's first professional fleet driver training company, is representative of the current tenant mindset. When the economy is expanding, the need for freight drivers increases; when it is not expanding, Al Caldwell, senior vice president of operations and international sales for Smith System sees no need to expand either.

"Our business would have to increase 20% to return us to 2008 levels," Caldwell said. "We have the same staffing we had in 2008 and don't see any need to increase for probably two years or more." And when it is time to expand, that still won't translate in the need for more space. During the prolonged recession, Smith System has mothballed space.

"We have approximately 10 unused spaces that we could use if we were to expand," Caldwell said. "We think our return to 2008 levels will require two more years, so, that fact, combined with the extra space we have, probably means we are at least three years or perhaps even longer away from needing more space." That is message that commercial real estate brokers are getting across the country, too.

"Many mid-size and smaller companies are afraid of the possibility of a double dip recession and are unconvinced that the recession is really over despite the statements by several so-called economic pundits that the it "technically" ended in June 2009," said Howard Applebaum, president of Corporate America Realty & Advisors, a tenant rep firm in Rutherford, NJ. "Until there is greater access for financial liquidity and greater financial leverage for business and real estate borrowings, companies will remain conservative and not add staffing. What must be feared here is that without the capability of loosening the credit restrictions that banks have placed, it can lead to further staff reductions as companies that do not have access to "Wall Street" capital will burn through their cash holdings."

Scott Abernethy, senior vice president of Cassidy Turley in Cincinnati, OH, said 90% of the companies they talk with are not hiring.

"Companies in the past two to three years have downsized and extended their leases; these companies do not have excess space," Abernethy said. "However, many firms with leases farther out in the future have excess space that they can't unload. If the economy improves, they feel they can backfill that excess." The other problem, Abernethy said, is that the responses to the recession have made it harder for tenants to know what expansion might cost them.

"The good news is that they are no longer cutting staff, but most companies feel like they can't expand because they just don't know what new employees will cost," Abernethy said. "There is a large amount of confusion as to health care, employee benefits and taxes, and companies just can't project their future costs of doing business. Once government policies are understood by the businesses, they will then know what they are dealing with, and will start expanding."



While the brokerage community generally feels that the bulk of staff downsizing is past, that doesn't mean that firms are finished cutting costs.

Chris Fountain, business development manager / sales for relocation firm Suddath Office Solutions in Jacksonville, FL, says the businesses they deal with are now adjusting their space needs to accommodate their past staff reductions.

"Most businesses have adopted the practice of adjusting the size of their labor force and physical space to cope with current economic changes. So, it has become a way of life," Fountain said. "Many businesses are still in the mindset of reducing their operational overhead expenses by reducing their square footage. Many of the large corporations we deal with have more than enough space and could prolong new demand out at least a couple years depending on what happens."

Bradley D. Larson, vice president of Partners National Real Estate Group in Dallas specializes on the industrial side.

"Since distribution and logistics users tend to be more focused on square footage and the respective economics, we have seen an emphasis from our industrial clients on right sizing their branches," Larson said. "We are still seeing smaller and less productive branches close as the lease expirations loom closer. This is happening at a lower rate than before, but is still somewhat prevalent in tertiary markets where market demand for our client's products is not keeping pace with fixed costs. So, as opposed to downsizings, it is more common for our industrial clients to consolidate or close a branch than to lay off staff."

"Since leases have, by nature, expired during the downturn, those lease renewals have (whether knowingly or unknowingly) locked in lower rental rates and thus have prepared a lower fixed overhead position for our clients in the years to come," Larson said.

Mike Fransen, vice president and asset manager for Parkway Properties Inc. in Houston is seeing the same thing on the office side.

"I think we're still working our way through – we still have a fair number of people that signed at the peak of 2006-2007 that are coming up on renewals and many will likely have their first opportunity to downsize," Fransen said. "So I still envision that continuing for a little while (certainly 2011)."

"There is lots of grey (sublease) space still diluting and complicating the leasing environment here in Houston. It does impact leasing decisions by companies," Fransen added. "It has killed large deals we've worked on."

When the CFO realizes he has unused space in his existing portfolio, he decides not to sign that new lease. Added to that are new and empty new assets, and that combines to make for a sloppy office environment for a while. And with jobs very slow to come back nationally and locally, it's impossible to tell how long this continues."

It is a very pessimistic outlook, said Kenneth W. Colwell, senior leasing and sales associate of Paragon Real Estate Group in San Francisco.

"My feeling is true recovery will not occur until unemployment and sentiment/confidence returns," Colwell said. "Only users who are recession proof will expand or relocate – medical, government, startups, looking for rock bottom subleases deals etc."



Distressed Retail Centers Are Not a Mess, Says JLL's Maloney 根據 JLL's Maloney 的說法,法拍的購物商場情況並不混亂

By: Elaine Misonzhnik (Retail Traffic Magazine)

Over the past two years, Jones Lang LaSalle Retail, a giant in the third-party management business, has encountered a wide range of distressed assets. From April 2009 to April 2010, its U.S. retail portfolio under management rose from 57.8 million square feet to 79.7 million square feet, nearly a 38 percent increase.

Because of its long-term expertise and unique niche in management of regional malls, Jones Lang LaSalle Retail often is appointed by the courts as a receiver for retail properties whose owners have defaulted on their loans. In such situations the original owners often have been running short on funds for some time, and in some cases they may have neglected various property management duties.

If the lender wants to eventually sell the center and believes that its value can be improved through additional investment, Jones Lang LaSalle's task is then to fix whatever property-level problems exist before a buyer is found. The scope of that responsibility can range from raising occupancy levels to getting accounting books in order to improving the center's image within its community.

There are also cases where the lender believes the property's value has been diminished for good. In such instances, the receiver's job is usually to find a buyer as soon as possible and get the asset off the lender's books.

In addition to its receivership duties, Jones Lang LaSalle Retail is also picking up traditional management contracts, including the recent acquisition of the 11.2-million-square-foot third-party management business from General Growth Properties and its recent appointment as asset manager for the Xanadu Meadowlands project in East Rutherford, N.J.

Retail Traffic interviewed Greg Maloney, president and CEO of Jones Lang LaSalle Retail and head of Jones Lang LaSalle's value recovery services team, about what his staff encounters when taking over a distressed center.

***Retail Traffic:* When it comes to physical maintenance, can you tell us what shape distressed retail properties are in when you take over the management?**

Maloney: Every single property we take over has its own issues. Some are very poorly maintained. With some properties the borrower didn't have money and the bills were not being paid. It depends on who the owner was, what it was trying to do and how cooperative the borrower and the lender were in working together.

If it were a center where the occupancy has gone way down, where it's fallen from maybe 80 percent to 50 percent, we might see deterioration in all aspects of property management, including maintenance and in security. But I don't think we've come across anything where the property was in such shape.

For the most part, the shopping centers [we take over] are maintained very professionally. The [owners] try to stretch their dollars. For example, instead of maintaining the parking lot every day, they do it every other day. Or they used to mop the floor once a week, and now they mop the floor every other week.



RT: How often does the reputation of the distressed center get tarnished in the community and how do you fight the negative public perception?

Maloney: Anytime we take over the management of a distressed asset, it's generally very well known in the community. The local news media covers what's happening to the property. So, the perception is we have a troubled mall.

When the call comes to me, the first question from the reporter is [always]: "So, is the mall going to close?" In all the cases where I've been assigned as receiver, the answer is "no." But we absolutely have to tell our customers in the community that we are coming in as a manager and we'll give them the experience they expect, and they will see the same fine stores at the mall they did before.

We do it through the media and newspapers. We'll ask the local staff to get the word out, through signage at the mall and through meetings with retailers. The retailers are our first line of communication. Once we get them informed of what we are going to do, then we go out to the local community and talk to the shoppers to let them know that we are here to stop any of the bleeding.

RT: What do you see as your most common management challenge?

Maloney: A big question centers on department stores. What do you do with the space when they leave? A lot of people see this situation as very bleak. But generally speaking, we can fix it.

We do a lot of things with department store spaces. Depending on the size, we have broken them up into big boxes, or we've expanded them into mall space. In some cases we might lease them out to temporary stores on the upper level, and on the lower level we'll put in a smaller department store. In some cases we've brought in churches and colleges. It all depends on where you are located and what makes sense for the community.

RT: If the previous owner wasn't keeping up with invoices, how do you repair the center's relationship with vendors?

Maloney: We come in with a court order that says anything that you've done at the property you are going to get paid for. I can't necessarily pay you for things you've done in the past, but from the day we come in as a receiver, we will make sure everything is paid.

The vendors, for the most part, feel much better that a receiver has been put in place. On the reverse side, when we are collecting the money, quite frankly, if you don't pay, you leave. We tell the tenants, "You're occupying the space. You've signed the contract. Live up to it."

RT: Is that a situation you deal with frequently?

Maloney: In a lot of these cases, the borrower has just given up and a lot of things have not been accounted for. It's quite a tall order because we have to rebuild the whole financial structure of the property. I think with every situation we go into, we have one or two retailers that have just not been paying rent or can't afford to pay it any longer. It's a common occurrence.



But if it's a situation where the center's occupancy is down to 50 percent, that tenant is probably struggling and can't make its sales. We try to keep tenants there if it makes sense for the property. If we have to do something to change the rent to keep them in the asset, we'll do it.

RT: What happens if it's a relatively healthy tenant in a relatively healthy center?

Maloney: If they are doing well, we'll give them whatever the amount of time the law says before we evict them. Then we just turn it over to the lawyers.

RT: How much money might it take to get a distressed center into decent shape?

Maloney: It really depends on what the deferred maintenance has been. It can range from several thousand dollars to hundreds of thousands of dollars. I've taken over one center where the cost was nothing.

RT: Can you give some examples?

Maloney: We took over a couple of properties where we needed to reseal the parking lot because you couldn't see the stripes anymore and it caused confusion. We also had to fix HVAC units that weren't working.

We went to the lender to get approval and it cost us \$125,000 to get everything up to speed and operating. We did it within the first 30 days of coming into the property. It was very well received by the tenants because they complained about it for some time.

RT: Can you think of centers where you've spent virtually nothing on additional care?

Maloney: That's probably more normal than the reverse. We may have to spend some dollars to hire some people, but for the most part the centers are being maintained well or to an acceptable level. I would say that's the norm.

RT: Is the situation today similar to what you encountered during the previous big downturn in the 1990s?

Maloney: It was different back then. Even though we had problems in 1991 and 2001, the difference is we have a financial problem here. Back then it was a real estate problem. You could get a new owner to come in and take over pretty quickly.

Today, it's the lenders that are taking it over and the lenders are just trying to bring the property to a point in time when they can sell it. They are not going to spend a lot of money on it. The properties in the last two recessions seemed to turn over quicker. In our analysis, it was within a 24-month to a 30-month period.

We are in a 30-month period right now, and a lot of these properties are just [not being sold] and the lenders are not spending the money on them. They are maintaining the status quo rather than improving the centers.

September
27, 2010



STC 資產管理
MANAGEMENT
Lic. No. 01299442



7

Multifamily Sales Defy the Slump: Apartment Deals Jump 32% as New Inventory Hits the Market

公寓銷售量並無滑落：新建公寓成交量成長 32%

By: Dawn Wotapka (*The Wall Street Journal*)

Home buyers might be sitting on the sidelines, but multifamily-building sales are on the rise, reversing the slowdown that followed the financial market's collapse two years ago.

Apartment transactions totaled \$7.1 billion in the second quarter, up 32% from a year earlier, according to Marcus & Millichap Research Services. Real Capital Analytics reports that closed sales hit \$2.6 billion in August, the highest month this year and the most active month since August 2008.

As sales heat up, plenty of new inventory is hitting the market—listings totaled \$3.3 billion in August, on top of July's \$3.5 billion.

"That's more fuel, basically, for a fire that's going to continue into the fall," says Dan Fasulo, a Real Capital managing director.

To be sure, this activity still is well below peak levels: 2006's total topped \$120 billion.

At the same time, the pickup in sales volume is pumping up prices from their depressed post-housing-crash levels, increasing the risk for buyers. "We see prices rising rapidly for apartment communities all around the country, even in some of those secondary markets that would make you shake your head," Mr. Fasulo says.

UDR Inc. earlier this month said it paid \$455 million for five finished projects and one under development. The Denver-based company says it still got a deal: The price tag was a substantial discount to construction costs.

Looked at another way, buyers of top-quality properties in the best markets generally are getting yields of close to 5%, according to Haendel St. Juste, a real-estate-investment-trust analyst with Keefe, Bruyette & Woods Inc. In other words, an apartment complex that sold for \$100 million would generate nearly \$5 million in net income. One year ago, investors were getting yields of close to 6%, he says. Recently, Mr. Fasulo says he saw a 3% yield on a San Francisco deal.

The pickup in sales activity comes at a time of uncertainty as the market deals with a prolonged economic slump, and the sector could face pain. As of Aug. 31, 14.5% of multifamily loans held in commercial mortgage-backed securities were delinquent, a spike from 6.7% a year earlier, according to debt-analysis company Trepp LLC. About a quarter of recent transactions have come from distressed sellers, with many others coming from pressured sellers, Mr. Fasulo said.

Buyers maintain the sector is a sound bet, given that most of the current prices remain below construction costs. Apartment operators performed better than expected during the downturn, when some industry watchers feared renters would downgrade or move home in droves. Landlords had to offer rental discounts and other freebies to keep units filled, but most skirted drastic vacancy spikes and plunging rents. In the second quarter, rents climbed 0.6% to \$946 a month, up from \$940 in the first quarter but down from \$959 a year earlier, according to Marcus & Millichap. Rent peaked at \$1,000 in 2008's third quarter.

September
27, 2010



STC 資產管理
MANAGEMENT
Lic. No. 01299442



8

Also, there has been little new development in the past few years, which some industry watchers expect to create a supply shortage in some markets down the road. The vacancy rate, which peaked at 7.4% at the end of last year, is expected to drop to 5.5% by the end of 2011, according to CBRE Econometric Advisors.

Buyers have also been benefiting from government-sponsored enterprises Fannie Mae and Freddie Mac, which, as part of their mission to support housing markets, buy the multifamily loans that others originate and refinance. The process allows purchasing to continue, while refinancing helps owners avoid foreclosure.

As home-purchase-mortgage rates haven't fallen, so have those for apartment buildings: Seven-to-10-year mortgages can be had for as little as 4%—at least a 50-year low—while five-year loans are available for less than 4%.

"I've never seen interest rates for multifamily loans this low," said Mike McRoberts, Freddie's vice president of underwriting and credit.

So far this year, Freddie has covered \$6.5 billion in multifamily financing. While that is below last year's \$8.5 billion, the bulk of this year's activity has come in recent months and the pipeline is picking up, Mr. McRoberts said. Sales remain rocky for office, industrial and shopping REITs, which don't benefit from the government support.



Foreclosure Flaws May Slow Home Price Fall, Delay Recovery 法拍屋的程序漏洞可能使價格下降並 延遲恢復期

By: Bob Ivry (Bloomberg)

Howard Cohen hasn't paid the loan on his Tukwila, Washington, home in a year, and when he heard that Ally Financial Inc.'s GMAC Mortgage unit was suspending foreclosure evictions in 23 states, it gave him hope.

"Maybe I'll stay in my house, too," said Cohen, a 57-year-old commercial-loan broker.

An employee of Ally's GMAC unit said in a December 2009 deposition that he signed thousands of foreclosure documents without verifying their accuracy. Attorneys general in Iowa, Illinois and Texas are investigating.

If uncovering such deficiencies halts thousands of pending foreclosures or renders void those that have already taken place, including repossessions of homes that have been resold, it could snarl courts for years and further postpone a recovery that can't happen until real estate prices find a bottom, said Stuart Saft, a partner at New York-based Dewey & LeBoeuf LLP. Until home values start to rise, buyers will stay away, he said.

"You can't get the economy moving until this whole situation gets straightened out," Saft said. "Until we find the actual level of proper pricing, housing problems will persist. Dragging out foreclosures doesn't help."

No one can say how widespread the practice has been -- Bank of America Corp., Cohen's mortgage servicer, hasn't reported any irregularities -- yet "the suspicion is that there might have been shortcuts taken by every mortgage servicer who had extraordinary numbers of foreclosure documents to go through," said Rick Sharga, senior vice president at RealtyTrac Inc., a housing data provider in Irvine, California. Dan B. Frahm, a Bank of America spokesman, declined to comment.

Servicer Squeeze

A JPMorgan Chase & Co. executive also said she signed thousands of foreclosure documents on the bank's behalf without personally checking loan records, according to a deposition she made in a court case in Palm Beach, Florida, in May. Thomas Kelly, a JPMorgan spokesman, declined to comment.

Mortgage servicers collect payments from borrowers and handle foreclosures. Adding staff, as GMAC says it's doing, will raise their costs, and any slowing of the legal process would further pinch them because they're required to pay property taxes and insurance up front when borrowers stop paying, as well as maintenance costs on uninhabited homes that have been seized. The ultimate cost of the delays may also add to the losses for mortgage-bond investors and companies such as Fannie Mae and Freddie Mac, the government-supported mortgage-financing firms.

Foreclosure Volume

Servicers are unprepared for the volume of foreclosures, said Christine Clifford, vice president of Access Mortgage Research & Consulting Inc. in Columbia, Maryland, and a 27-year veteran of the business. In August, lenders took possession of a record 95,364 homes and issued foreclosure filings to 338,836 homeowners, or one out of every 381 U.S. households, according to RealtyTrac. About 2 million houses will be seized by lenders through 2011, according to Mark Zandi, chief economist at Moody's Analytics Inc. in West Chester, Pennsylvania.



GMAC is the fifth-largest U.S. mortgage servicer, with 4.7 percent of the market, according to National Mortgage News, an industry newsletter based in New York. The top four servicers -- Bank of America, Wells Fargo & Co., JPMorgan and Citigroup Inc. -- have a combined 71 percent share of the market.

“Preserving the integrity of the foreclosure process is of the utmost importance,” GMAC said in a Sept. 24 statement. “Regrettably, a procedural error was found to have occurred in certain affidavits required in certain states. The error is not related to the accuracy of the underlying transaction or the ultimate decisions to have exercised the foreclosure proceedings.”

‘Direct Personal Knowledge’

The “error” was the failure to sign the documents in the presence of a notary public or signing them without “direct personal knowledge of all the information,” GMAC said.

The U.S. government, which has been pressing lenders to reduce foreclosures as evictions hit record levels, owns 56 percent of Detroit-based Ally. The company, formerly known as GMAC Inc., has benefited from more than \$17 billion of bailouts. Cerberus Capital Management LP, a New York-based buyout firm, holds about 15 percent of Ally.

The troubles started with an increase in originations in the 2000s, especially of riskier loans, as Wall Street devised ways to bundle mortgages into securities it sold to investors around the world. From 2002 to 2007, \$18.2 trillion worth of mortgages were originated compared with \$7.7 trillion in the previous six years, according to data compiled by Inside Mortgage Finance, an industry newsletter in Bethesda, Maryland.

Postponing Price Declines

Subprime mortgages, given to borrowers with bad or incomplete credit history, accounted for \$2.5 trillion of the loans in the latter part of the decade compared with \$840 billion from 1996 to 2001, Inside Mortgage Finance said. Those borrowers have defaulted at almost four times the rate as homeowners with prime loans.

It would take almost a year to sell all the homes already on the market, according to the Chicago-based National Association of Realtors. Another three-and-a-half-years’ supply of homes will be up for sale at distressed prices in the next three years as a result of foreclosures, according to RealtyTrac.

If legal delays keep homes off the market, home prices will stay higher in the next two years than they would had foreclosures proceeded, said Zandi of Moody’s Analytics. That would mean postponing the end of the price decline, he said.

Even without delays, home values may have another three years to go before bouncing back up, according to Moody’s Analytics. That’s after a 28 percent decline nationally since 2006, according to the S&P Case-Shiller Home Price Index.

More Litigation

Two senior executives at mortgage servicers said their companies were bracing for more legal action contesting foreclosures because of the press attention. The executives requested anonymity because they weren’t authorized to speak.



"I anticipate some people I know, possibly myself, are going to be involved in reopening these cases to get money for people who can't get their houses back," said Richard J. Burton, a Miami attorney who started the Foreclosure Project LLC, which provides legal representation to homeowners facing foreclosure.

Burton said he expects that a class-action suit will be filed against GMAC and other lenders seeking damages and to stop foreclosures. GMAC hasn't stopped foreclosures, only evictions related to them.

"Anybody who's foreclosing in a judicial state is going to be dotting their i's and crossing their t's, and then checking, double-checking, and triple-checking everything," Glenn Schultz, head of residential-mortgage bond research at Wells Fargo's securities unit, said in a telephone interview. In the so-called judicial states, lenders must appear before a judge, who approves foreclosures.

'Inbox Filled Up'

With mortgage bonds, servicers would continue advancing interest and principal payments to investors, first helping junior-ranked investors and then hurting holders of senior bonds as the servicers recoup those funds out of foreclosure proceeds.

Still, while Schultz says his "inbox filled up immediately" after Ally made the announcement last week that it was suspending evictions, "foreclosure timelines have already gotten so long, I'm not sure how much of an overall impact this is going to have as far as bondholders are concerned," he said. At the same time, "there's a new thing on the horizon to watch: Increased judicial activism."

In judicial states, the average time between borrowers falling behind and sales of their properties has climbed to almost 25 months from less than 18 months at the start of 2007, according to data compiled by Austin, Texas-based Amherst Securities Group.

The timeline grew in other states to 19 months, from 14 months, the data show.

Lack of Staffing

The increasing time between default and foreclosure may embolden more homeowners to stop paying their bills, said Cameron Findlay, chief economist at LendingTree.com in Irvine, California. Overwhelmed lenders are likely to address the worst cases first, leaving many delinquent borrowers in their homes for longer periods of time, he said.

One issue is the lack of staffing all along the mortgage pipeline, said Lucy Griffin, president of Compliance Resources Inc. in Reston, Virginia, which does legal-compliance training for mortgage lenders.

"I see this as a symptom of the emphasis on getting the product in the books, getting the money up front and not having the personnel to support the product," Griffin said. "They don't have the necessary personnel."

Cohen, the homeowner who is 12 months behind on his mortgage payments, said he's been trying to negotiate a loan modification. He anticipates difficulties down the road.

"Nobody can tell me who owns my mortgage," he said.



Book Store Shake Out Coming 傳統書店的縮減已開始

(The Watch List)

Barnes & Noble Inc. is predicting an industry shake-out that will result in a consolidation of the physical book business, according to a letter William J. Lynch, Jr., the new CEO of Barnes & Noble, sent to the company's shareholders laying out his strategy to grow its business and to create shareholder value. The company will be holding its annual meeting next Tuesday.

The prediction is based on the following dynamics, according to the letter.

"Fewer bookstore competitors – It's clear there will be fewer bookstores in this country and as we continue to maintain the best real estate portfolio of locations and best run retail bookstore model, our stores will be the beneficiary of this consolidation. We love our bookstores and we intend to make them even better places to shop in the future," the letter stated.

"Fewer stores selling books – approximately 50% of the \$21 billion U.S. book business is transacted in non-book retail outlets such as mass merchants, as well as drug and mass discounters. As the physical book market contracts over the next four years, from approximately \$21 billion to \$19 billion, we see many of these non-book retailers de-emphasizing the book category with greatly reduced shelf space and in some cases eliminating it all together. This will provide an opportunity for us," Lynch's letter continued.

Lynch said the shake-out seems to have already begun as its share of the business has accelerated in the past year. Barnes & Noble claims to own approximately 18% of the U.S book market, and expects that figure to grow to 20-25% over the next three years.

Lynch said the company also plans to its share of the \$12 billion college bookstore business in which it operates 633 Barnes & Noble stores and claims to have 15% of the business.

Lynch said that as the college book market fragments into different formats of new, used, rental and digital, schools will find it increasingly difficult and costly to provide the content, logistics and technology required to service students and deliver course materials across the various formats. As a result, more and more college will outsource the management of their bookstores.

"As with our consumer retail stores, the marketing reach that the physical college bookstores provide students gives us a large advantage over competitors as the market evolves," Lynch wrote.



FedEx Consolidating Despite Strong Earnings 儘管有強大的收益, FedEx 仍然持續縮減

By: Andrew Deichler (The Watch List)

FedEx is combining its FedEx Freight and FedEx National LTL operations by the end of January, which the logistics giant expects to increase profitability by 2012.

The consolidation will result in the closure of about 100 facilities and the layoff of approximately 1,700 employees. FedEx expects to incur between \$150 million and \$200 million in severance costs, primarily from workforce reductions and lease cancellations. The majority of these charges will likely occur in the second and third quarters of fiscal 2011.

The consolidation is not a result of poor profits, as FedEx reported strong numbers for the first quarter of its fiscal year. Additionally, the Memphis, TN-based company is projecting positive figures for the future.

"We expect continued strong demand for our package transportation services through at least December," said Alan B. Graf, Jr., executive vice president and CFO of FedEx. "We expect the yield improvement initiatives we have underway, coupled with the current high utilization of our planes, vehicles and facilities, will drive higher earnings, margins and returns."



Banks Continue Shrinking CRE Balances and Avoid New Lending 銀行繼續縮減商業地產欠額和避免提供新貸款

(The Watch List)

Bank commercial real estate lending and balances continued to shrink at many of the nation's largest banks, according to the latest monthly reports to the U.S. Treasury.

Citigroup reported that new commercial real estate (CRE) loan commitments in July were \$475.4 million, an increase of 114% from June due to new letters of credit. However, loan renewals totaled \$60.1 million, down 66% month-to-month. Average total CRE loan and lease balances of \$21.9 billion were flat compared to June.

Fifth Third Bancorp reported that loan repayments and dispositions of troubled CRE outpaced the volume of renewals and new originations in June causing the overall balances to continue to decline. Average CRE balances decreased by approximately 2% in July compared to June. New CRE commitments originated in July were \$106 million, compared to \$194 million in June. Renewal levels for existing accounts also decreased to \$458 million versus June 2010 at \$1.16 billion.

As commercial vacancy rates continue to increase, Fifth Third said it continues to monitor the CRE portfolios and continues to suspend lending on new non-owner occupied properties and on new homebuilder and developer projects in order to manage existing portfolio positions.

KeyCorp's CRE originations in June and July 2010 were at higher levels than the rest of the year. While originations in real estate capital segment decreased from the June level, the middle market and community development segments experienced increased levels of originations. Renewal activity was strong as a result of several restructurings completed in the real estate capital segment. However, Overall CRE balances continued to decline, as principal repayments were greater than originations.

Marshall & Ilsley Corp. reported continued declines in its exposure to the CRE sector. Economic uncertainty has resulted in increased challenges for customers across a variety of sectors including retail, office and hospitality. CRE average balances were expected to continue contracting due to portfolio amortization.

For Regions Financial Corp., the focus in CRE lending continued to be on renewing and restructuring real estate loans with existing clients versus active pursuit of new real estate loans. Renewal activity includes loan restructuring, re-margining and re-pricing, consistent with the current credit quality of the sponsor, the performance of the project and the current market. As homebuilders sell existing inventory, it said it continued to convert lot loans to residential construction loans, in turn, reducing our land and lot portfolio.

SunTrust Banks Inc. reported average CRE loans decreased \$1.1 billion, or 5%, compared to June. The decline partially resulted from the reclassification of CRE balances into commercial and industrial (C&I) corporate categories. C&I loan balances increased \$299 million. So, the majority of the decline was due to large pay downs and pay outs. In July, CRE renewals of existing accounts decreased \$202 million, or 42%, and total commercial real estate new commitments decreased \$8 million, or 4%, compared to June. The majority of originations were associated with large commercial or corporate businesses.



Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

Consumer Money Rates

Interest Rate	Yield/Rate (%)		52-Week		Change in PCT. PTS	
	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0.00	0.00	0.00	-	-4.75
Prime rate*	3.25	3.25	3.25	3.25	-	-4.50
Libor, 3-month	0.29	0.29	0.54	0.25	0.01	-4.94
Money market, annual yield	0.69	0.69	1.12	0.69	-0.43	-3.09
Five-year CD, annual yield	2.28	2.31	2.71	2.28	-0.43	-2.54
30-year mortgage, fixed	4.58	4.61	5.51	4.44	-0.72	-1.65
15-year mortgage, fixed	3.90	4.06	4.83	3.89	-0.76	-1.97
Jumbo mortgages, \$417,000-plus	5.55	5.55	6.48	5.53	-0.93	-1.54
Five-year adj mortgage (ARM)	3.64	3.51	4.67	3.44	-0.66	-2.45
New-car loan, 48-month	5.98	5.98	7.45	5.98	-1.47	-0.94
Home-equity loan, \$30,000	5.10	5.10	5.81	5.08	-0.65	-2.02